

Emergency Economic Stabilization Act 2008

Talking Points

Key Points

- The bill provides the necessary tools to deploy up to \$700 billion to address the urgent needs in our financial system, whether that be by purchasing troubled assets broadly, insuring troubled assets, or averting the potential systemic risk from the disorderly failure of a large financial institution.
 - The purchases are intended to be residential and commercial mortgage-related assets, which may include mortgage-backed securities and whole loans. The Secretary will have the discretion, in consultation with the Chairman of the Federal Reserve, to purchase other assets, as deemed necessary to effectively stabilize financial markets.
 - To qualify for the program, assets must have been originated or issued on or before September 17, 2008.
 - Participating financial institutions must have significant operations in the U.S., unless the Secretary makes a determination, in consultation with the Chairman of the Federal Reserve, that broader eligibility is necessary to effectively stabilize financial markets. Therefore foreign subsidiaries and affiliates or those firms with significant U.S. operations are eligible.
- This plan is intended to fundamentally and comprehensively address the root cause of our financial system's stresses by removing distressed assets from the financial system, which will allow our financial institutions to stem their losses, recapitalize, and return to business.
- Confident that the legislation gives us the flexibility to unclog our financial markets increase the ability of our financial institutions to deliver the credit that will help create jobs.
- Should consider this legislation in the context of the broader actions that we have taken over recent weeks on three fronts: capital, liquidity, and market operations.
 - To provide **increased capital** and help unlock credit markets; the Administration and Congress have worked together on legislation mentioned above to remove illiquid assets from financial institutions.
 - In addition, the GSEs, Fannie Mae and Freddie Mac, will increase their purchases of mortgage-backed securities (MBS) in order to provide critical additional funding to our mortgage markets, and the Treasury Department will expand the MBS purchase program announced earlier this month.

- To help ease **liquidity constraints** the Treasury Department is acting to restore confidence in money market mutual funds through a \$50 billion guaranty program. This temporary guaranty offers government insurance that was previously unavailable in order to address the recent stresses on the markets and concerns about whether these investments are safe and accessible.
- The Federal Reserve is also taking steps to provide additional liquidity to money market mutual funds, which will help ease pressure on our financial markets.
- The Securities and Exchange Commission has issued new rules temporarily suspending the practice of short selling on the stocks of financial institutions.